

STANTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
David Brunning	President	2009
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2008
Mark Lindgren	Board Member	2008
Board of Education		
(After September 2007 Election)		
David Brunning	President	2009
Douglas Maher	Vice President	2008
Jeff Magneson	Board Member	2011
Paul Vanderholm	Board Member	2011
Mark Lindgren	Board Member	2008
School Officials		
Judd Ashley	Superintendent	2008
Carla Olson	District Secretary	2008
LaDonna Rossander	District Treasurer	2008
Swanson Law Firm	Attorney	2008
Sue Seitz	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Stanton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District, Stanton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2008 on our consideration of Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 18, 2008

STANTON COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stanton Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

These comparisons are to further explain the District's financial position and results of operations.

2008 Financial Highlights

- General Fund revenues increased from \$2,148,760 (GAAP basis) in fiscal 2007 to \$2,212,765 in fiscal 2008, while General Fund expenditures also increased from \$2,199,691 in fiscal 2007 to \$2,288,827 in fiscal 2008. This resulted in a decrease in the District's Operating Fund (GAAP) balance from \$543,337 in fiscal 2007 to \$467,275 in fiscal 2008, which was a 14% decrease from the prior year. Increased costs of heating and vehicle fuels impacted total expenditures.
- The increase in General Fund revenues is attributable in part to receiving a REAP Grant for \$27,722, Title IIA Federal Teacher Quality Grant of \$12,050, for a total of \$39,772. A state Early Intervention grant of \$12,392 was also received. The Board approved a Budget Guarantee of \$45,225 so the shortfall in state funding due to declining enrollment would be replaced by property taxes. This year the school also received Medicaid reimbursement of \$7,440, and a Special Education Part B Grant of \$10,968, which helped offset costs of funding of the special education program.
- Numbers of students open enrolling into the Stanton Community School continue to have a positive impact on miscellaneous income, with the official count date in 2006 showing 73 students in and 7 out and October 1 count date in 2007 having 69 students coming into the district and 7 out. A total of 268 students were provided instructional programs/services by the district in 2007-2008, which was a decrease of 20 from the prior year's total.
- Local Option Sales and Service Tax revenue of \$126,315 that can be used for infrastructure or major equipment purchases has allowed reallocation of some Operating Fund monies for use in other areas.
- Renewal of the Instructional Support Levy, effective 2006 through 2011, based on 10% of Regular Program District Cost will be approximately \$124,088 annually before state adjustments. This helps provide relief for district taxpayers because it is a combination of state aid, income surtax and property tax.
- The district no longer has any outstanding long-term debt, having made the final payment in June 2007 on bonds to build the elementary school.
- Lower interest rates this year resulted in interest earnings for the General Fund decreasing from \$16,828 in 2007 to \$13,765 in 2008.
- Major equipment purchases this fiscal year have included: Three laptop and five desktop computers; an Optoma projector; upright vacuum; Lanier digital copier; and new public address system for the music department.

- Facility improvements have included a new trophy case built in the concourse to display state trophies and also air conditioning for the K-6 classrooms.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stanton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stanton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stanton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Stanton Community School District Annual Financial Report

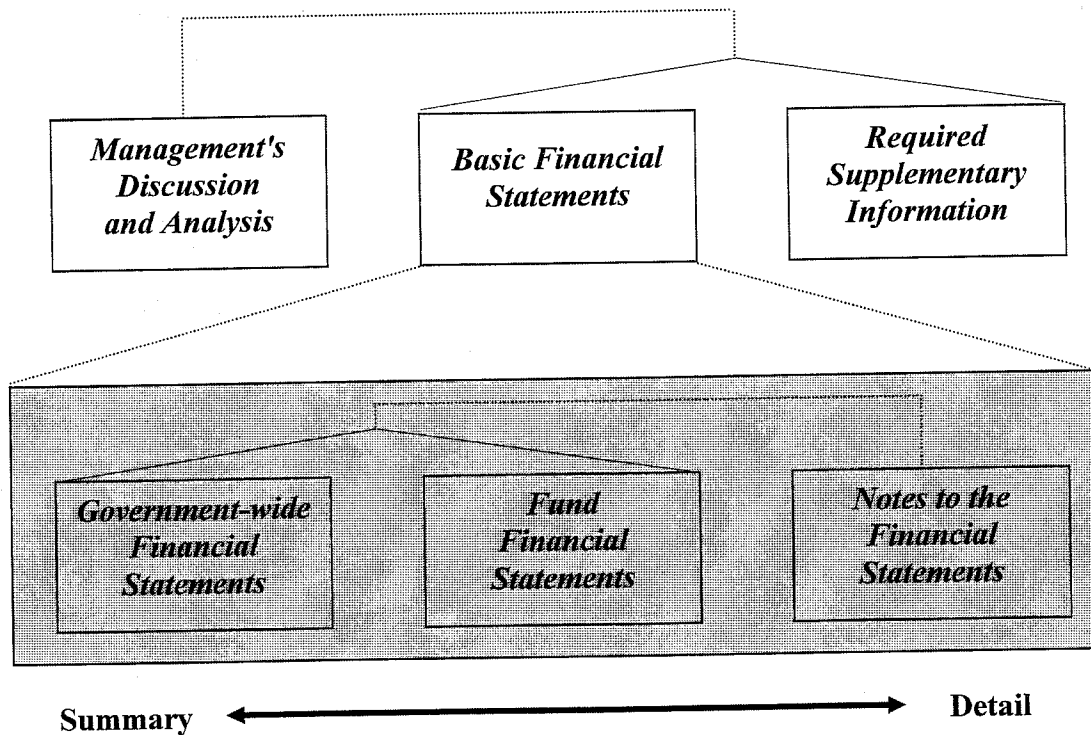


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/Outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Reporting the District's Financial Activities

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The district charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spend in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund and the Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the school nutrition fund.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 1,829,389	1,757,047	\$ 16,742	20,063	\$ 1,846,131	1,777,110	3.88%
Capital assets	1,180,637	1,158,315	14,504	16,847	1,195,141	1,175,162	1.70%
Total assets	3,010,026	2,915,362	31,246	36,910	3,041,272	2,952,272	3.01%
Other liabilities	891,260	806,695	5,966	5,037	897,226	811,732	10.53%
Total liabilities	891,260	806,695	5,966	5,037	897,226	811,732	10.53%
Net assets:							
Invested in capital assets	1,180,637	1,158,315	14,504	16,847	1,195,141	1,175,162	1.70%
Restricted	432,887	368,744	0	0	432,887	368,744	17.39%
Unrestricted	505,242	581,608	10,776	15,026	516,018	596,634	-13.51%
Total net assets	\$ 2,118,766	2,108,667	\$ 25,280	31,873	\$ 2,144,046	2,140,540	0.16%

The District's combined net assets increased 0.16% over the prior year. The largest portion of the District's net assets are invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 17.39% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-decreased 13.51% over the prior year.

Figure A-4 illustrates the impact that results of operations had on changes in net assets in the fiscal year ending June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 550,537	537,455	\$ 66,928	67,949	617,465	605,404	1.99%
Operating grants and contributions and restricted interest	305,960	258,907	35,888	37,786	341,848	296,693	15.22%
Capital grants and contributions and restricted interest	0	7,809	0	0	0	7,809	100.00%
General revenues:							
Property tax	625,666	608,671	0	0	625,666	608,671	2.79%
Income surtax	5,359	87,218	0	0	5,359	87,218	-93.86%
Local option sales and service tax	126,315	131,760	0	0	126,315	131,760	0.00%
Unrestricted state grants	898,325	868,372	0	0	898,325	868,372	3.45%
Other	16,870	21,279	37	43	16,907	21,322	-20.71%
Total revenues	<u>2,529,032</u>	<u>2,521,471</u>	<u>102,853</u>	<u>105,778</u>	<u>2,631,885</u>	<u>2,627,249</u>	<u>0.18%</u>
Program expenses:							
Governmental activities:							
Instruction	1,635,937	1,568,874	0	0	1,635,937	1,568,874	4.27%
Support services	752,955	743,563	0	0	752,955	743,563	1.26%
Non-instructional programs	1,278	1,005	109,446	104,117	110,724	105,122	5.33%
Other expenses	128,763	119,790	0	0	128,763	119,790	7.49%
Total expenses	<u>2,518,933</u>	<u>2,433,232</u>	<u>109,446</u>	<u>104,117</u>	<u>2,628,379</u>	<u>2,537,349</u>	<u>3.59%</u>
Changes in net assets	10,099	88,239	(6,593)	1,661	3,506	89,900	-96.10%
Net assets beginning of year	<u>2,108,667</u>	<u>2,020,428</u>	<u>31,873</u>	<u>30,212</u>	<u>2,140,540</u>	<u>2,050,640</u>	<u>4.38%</u>
Net assets end of year	<u>\$ 2,118,766</u>	<u>2,108,667</u>	<u>\$ 25,280</u>	<u>31,873</u>	<u>2,144,046</u>	<u>2,140,540</u>	<u>0.16%</u>

Property tax, income surtax, local option sales and service tax and unrestricted state grants (state aid and instructional support state aid) account for 65.46% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 94.83% of the total expenses.

Governmental Activities

Total revenues for all of the District's governmental activities were \$2,529,032, an increase of 0.30% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,518,933, an increase of 3.52% from the prior year. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the district used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2006-07
Instruction	\$ 1,635,937	1,568,874	4.27%	855,345	846,247	1.08%
Support services	752,955	743,563	1.26%	752,595	743,563	1.21%
Non-instructional programs	1,278	1,005	27.16%	1,278	1,005	27.16%
Other expenses	128,763	119,790	7.49%	53,218	38,246	39.15%
Totals	<u>\$ 2,518,933</u>	<u>2,433,232</u>	<u>3.52%</u>	<u>1,662,436</u>	<u>1,629,061</u>	<u>2.05%</u>

- The cost of all governmental activities this year was \$2,518,933.
- A portion of the cost financed by users of the District's programs was \$550,537.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$305,960.
- The net cost portion of governmental activities was financed with \$625,666 in property tax, \$5,359 in income surtax, \$126,315 in local option sales and services tax, \$898,325 in unrestricted state grants and \$16,870 in unrestricted investment earnings.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$102,853 in 2008, which is a decrease of 2.76% from the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 5.12% to \$109,446 for business-type activities in 2008. No new equipment was purchase with Nutrition Fund monies this fiscal year.

Individual Fund Analysis

As previously noted, the Stanton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$862,540, a decrease of \$17,582 less than last year's ending fund balances of \$880,122. In General Fund a federal Reap Grant of \$27,722, Title IIA Grant of \$12,050, and state Early Intervention Grant of \$12,392 helped fund specific teacher salaries.

Governmental Fund Highlights

- The decrease of \$76,062 in the District's General Fund balance compared to the prior year reflects the impact of three years of declining enrollment and the continued Budget Guarantee rollback legislated by the state. Open enrollment of students into Stanton from other school districts continues to be beneficial for the District, with 69 students open enrolled into Stanton (and 7 students out) as of October 2007. Approval of grants also had a positive impact on revenues.
- Ballot approval to expand the use of Local Option Sales and Service Tax monies includes allowing the district to purchase equipment costing over \$500. This year Capital Projects money was used to purchase computers and audio visual equipment and also pay for roof and parking lot repair as well as installation of air conditioning in the K-6 classrooms.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$31,873 in fiscal 2007 to \$25,280 in fiscal 2008, representing a decrease of 20.69%. This decrease was due to an increase in expenditures.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures associated with the previously stated purchases equipment.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

- For the 2007-2008 fiscal year the District again budgeted on a GAAP basis. The District's total revenues for all funds were \$2,626,524, compared to the budgeted amount of \$2,543,221, which is \$83,303, or 3.28% more than budgeted. Areas where more revenue was received than budgeted include special education open enrollment tuition, Teacher Quality Basic allocation and Local Option Sales and Service Tax monies.
- Total GAAP expenditures for all funds were \$2,654,089, as compared to the budgeted figure for those funds of \$2,906,000. The District was successful in efforts to control expenditures.
- Expenditures for the district's budget were amended a net total increase of \$61,842.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2008, the District had invested governmental funds of \$1,195,141, net of accumulated depreciation, in a broad range of capital assets, including land, buildings athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6).

In comparing fiscal 2008 to fiscal 2007, the largest change in capital assets activity occurred in additions of machinery and equipment, which included three laptop and five desktop computers; an Optoma projector; upright vacuum; Lanier digital copier; and a new public address system for the music department. Major facility improvements have included a new trophy case built in the concourse to display state trophies and also air conditioning for the K-6 classrooms.

Accumulated depreciation under GASB 34 at 2008 year end totaled \$1,188,854 for governmental funds, and this figure includes \$72,200 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$14,504, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$47,548 in capital assets.

More detailed information about capital assets is available in Note 4 to the financial statements.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	952,090	904,475	0	0	952,090	904,475	5.00%
Land improvements	64,729	67,190	0	0	64,729	67,190	-3.80%
Machinery and equipment	111,092	133,924	14,504	16,847	125,596	150,771	-20.04%
Total	<u>\$ 1,180,637</u>	<u>1,158,315</u>	<u>\$ 14,504</u>	<u>16,847</u>	<u>\$ 1,195,141</u>	<u>1,175,162</u>	<u>1.70%</u>

Long-Term Debt

No Long-Term Debt was noted for the 2007-2008 fiscal year.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past five years, and the state legislature's rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- There was no increase in health insurance premium costs for 2007-2008.
- Increases in utilities and gasoline/diesel fuel had a negative impact on the District's efforts to control expenditures.
- Contract negotiations with the Stanton Education Association were approved at a 4.5% increase for 2007-2008 salaries/benefits for certificated personnel and at a 4.5% increase for 2008-2009. A 3.7% increase for 2009-2010 was included in the two year contract.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies allowing the District to use these funds to purchase buses and equipment costing over \$500 has proved beneficial for the District.
- The final payment on long term debt for building the elementary school addition was made in June 2007.

- Income from the current Local Option Sales and Service Tax will continue through 2010, so the Board is considering the best use of those funds to enhance the District's facilities and programs.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.
- However, enrollment is down approximately 20 students for the 2007-2008 year, which will result in a deficit of approximately \$106,660. This will require a budget reduction plan covering the next several years and some significant decisions on the part of the board.
- The addition in summer 2005 of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, is an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.
- Looking ahead, it is hoped the subdivision project of "Valhalla Hills" on the northeast edge of the town will eventually not only provide an increased valuation for the district but also bring more families into the area for an increase in student enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carla Olson, Board Secretary, Stanton Community School District, 605 Elliott Street, Stanton, IA 51573.

BASIC FINANCIAL STATEMENTS

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:	\$ 1,112,467	12,617	1,125,084
Receivables			
Property tax:			
Delinquent	9,495	0	9,495
Succeeding year	578,246	0	578,246
Income surtax	75,589	0	75,589
Accounts	875	0	875
Due from other governments	52,717	79	52,796
Inventories	0	4,046	4,046
Capital assets, net of accumulated depreciation (Note 4)	1,180,637	14,504	1,195,141
TOTAL ASSETS	3,010,026	31,246	3,041,272
LIABILITIES			
Accounts payable	100,153	1,282	101,435
Salaries and benefits payable	212,861	3,231	216,092
Deferred revenue:			
Succeeding year property tax	578,246	0	578,246
Unearned revenue	0	1,453	1,453
TOTAL LIABILITIES	891,260	5,966	897,226
NET ASSETS			
Invested in capital assets	1,180,637	14,504	1,195,141
Restricted for:			
Talented and gifted	35,719	0	35,719
Market factor	1,903	0	1,903
Capital projects	186,269	0	186,269
Management levy	108,624	0	108,624
Physical plant and equipment levy	19,358	0	19,358
Other special revenue purposes	81,014	0	81,014
Unrestricted	505,242	10,776	516,018
TOTAL NET ASSETS	\$ 2,118,766	25,280	2,144,046

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,060,674	307,645	219,087	(533,942)	0	(533,942)
Special instruction	214,238	72,587	10,968	(130,683)	0	(130,683)
Other instruction	361,025	170,305	0	(190,720)	0	(190,720)
	<u>1,635,937</u>	<u>550,537</u>	<u>230,055</u>	<u>(855,345)</u>	<u>0</u>	<u>(855,345)</u>
Support services:						
Student services	67,487	0	0	(67,487)	0	(67,487)
Instructional staff services	19,133	0	0	(19,133)	0	(19,133)
Administration Services	339,503	0	0	(339,503)	0	(339,503)
Operation and maintenance of plant services	191,085	0	0	(191,085)	0	(191,085)
Transportation services	135,747	0	360	(135,387)	0	(135,387)
	<u>752,955</u>	<u>0</u>	<u>360</u>	<u>(752,595)</u>	<u>0</u>	<u>(752,595)</u>
Non-instructional programs	1,278	0	0	(1,278)		(1,278)
Other expenditures:						
Facilities acquisitions	13,017	0	0	(13,017)	0	(13,017)
AEA flowthrough	75,545	0	75,545	0	0	0
Depreciation(unallocated)*	40,201	0	0	(40,201)	0	(40,201)
	<u>128,763</u>	<u>0</u>	<u>75,545</u>	<u>(53,218)</u>	<u>0</u>	<u>(53,218)</u>
Total governmental activities	2,518,933	550,537	305,960	(1,662,436)	0	(1,662,436)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	109,446	66,928	35,888	0	(6,630)	(6,630)
Total business-type activities	<u>109,446</u>	<u>66,928</u>	<u>35,888</u>	<u>0</u>	<u>(6,630)</u>	<u>(6,630)</u>
Total	<u>\$ 2,628,379</u>	<u>617,465</u>	<u>341,848</u>	<u>(1,662,436)</u>	<u>(6,630)</u>	<u>(1,669,066)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 610,842	0	610,842
Capital outlay				14,824	0	14,824
Income surtax				5,359	0	5,359
Local option sales and services				126,315	0	126,315
Unrestricted state grants				898,325	0	898,325
Unrestricted investment earnings				16,870	37	16,907
Total general revenues				<u>1,672,535</u>	<u>37</u>	<u>1,672,572</u>
Changes in net assets				10,099	(6,593)	3,506
Net assets beginning of year				<u>2,108,667</u>	<u>31,873</u>	<u>2,140,540</u>
Net assets end of year				<u>\$ 2,118,766</u>	<u>25,280</u>	<u>2,144,046</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 712,557	108,021	191,867	100,022	1,112,467
Receivables:					
Property tax:					
Delinquent	8,634	603	0	258	9,495
Succeeding year	523,367	38,800	0	16,079	578,246
Income surtax	75,589	0	0	0	75,589
Accounts	735	0	0	140	875
Due from other governments	12,415	0	40,302	0	52,717
TOTAL ASSETS	\$ 1,333,297	147,424	232,169	116,499	1,829,389
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 54,205	0	45,900	48	100,153
Salaries and benefits payable	212,861	0	0	0	212,861
Deferred revenue:		0			
Succeeding year property tax	523,367	38,800	0	16,079	578,246
Income surtax	75,589	0	0	0	75,589
Total liabilities	866,022	38,800	45,900	16,127	966,849
Fund balances:					
Reserved for:					
Talented and gifted	35,719	0	0	0	35,719
Market factor	1,903	0	0	0	1,903
Unreserved:					
Designated for special purpose	13,688	0	0	0	13,688
General	415,965	0	0	0	415,965
Capital projects	0	0	186,269	0	186,269
Management levy	0	108,624	0	0	108,624
Physical plant and equipment levy	0	0	0	19,358	19,358
Other special revenue purposes	0	0	0	81,014	81,014
Total fund balances	467,275	108,624	186,269	100,372	862,540
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,333,297	147,424	232,169	116,499	1,829,389

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 17)	\$ 862,540
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,180,637
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>75,589</u>
Net assets of governmental activites (page 15)	<u><u>\$ 2,118,766</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 576,119	34,723	126,315	14,823	751,980
Tuition	380,232	0	0	0	380,232
Other	61,123	7,134	0	129,749	198,006
State sources	1,116,529	32	0	14	1,116,575
Federal sources	76,880	0	0	0	76,880
Total revenues	2,210,883	41,889	126,315	144,586	2,523,673
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,045,412	7,916	3,488	0	1,056,816
Special instruction	214,238	0	0	0	214,238
Other instruction	248,917	0	0	118,934	367,851
	1,508,567	7,916	3,488	118,934	1,638,905
Support services:					
Student services	67,231	256	0	0	67,487
Instructional staff services	18,130	256	0	0	18,386
Administration services	334,935	9,196	0	0	344,131
Operation and maintenance of plant services	181,693	9,236	0	0	190,929
Transportation services	102,726	6,883	0	0	109,609
	704,715	25,827	0	0	730,542
Non-instructional programs	0	1,278	0	0	1,278
Other expenditures:					
Facilities acquisitions	0	0	91,773	6,599	98,372
AEA flowthrough	75,545	0	0	0	75,545
	75,545	0	91,773	6,599	173,917
Total expenditures	2,288,827	35,021	95,261	125,533	2,544,642
Excess(deficiency) of revenues over(under) expenditures	(77,944)	6,868	31,054	19,053	(20,969)
Other financing sources(uses):					
Transfers in	0	0	929	0	929
Transfers out	0	0	0	(929)	(929)
Sale of equipment	1,882	0	0	0	1,882
Compensation for Loss	0	0	0	1,505	1,505
Total other financing sources(uses)	1,882	0	929	576	3,387
Net change in fund balances	(76,062)	6,868	31,983	19,629	(17,582)
Fund balance beginning of year	543,337	101,756	154,286	80,743	880,122
Fund balance end of year	\$ 467,275	108,624	186,269	100,372	862,540

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 19) \$ (17,582)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of assets in the year are as follows:

Capital outlays	\$ 98,513	
Depreciation expense	(69,857)	
Loss on disposal of assets	<u>(6,334)</u>	22,322

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

5,359

Changes in net assets of governmental activities (page 16)

\$ 10,099

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 12,617
Due from other governments	79
Inventories	4,046
Capital assets, net of accumulated depreciation(Note 4)	14,504
TOTAL ASSETS	<u>31,246</u>
LIABILITIES	
Accounts payable	1,282
Salaries and benefits payable	3,231
Unearned revenue	1,453
TOTAL LIABILITIES	<u>5,966</u>
NET ASSETS	
Invested in capital assets	14,504
Unrestricted	10,776
TOTAL NET ASSETS	<u>\$ 25,280</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 66,928
TOTAL OPERATING REVENUES	<u>66,928</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	39,499
Benefits	5,229
Services	1,118
Supplies	61,257
Depreciation	2,343
TOTAL OPERATING EXPENSES	<u>109,446</u>
OPERATING LOSS	<u>(42,518)</u>
NON-OPERATING REVENUES:	
State sources	1,598
Federal sources	34,290
Interest on investments	37
TOTAL NON-OPERATING REVENUES	<u>35,925</u>
Change in net assets	(6,593)
Net assets beginning of year	<u>31,873</u>
Net assets end of year	<u>\$ 25,280</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 66,585
Cash received from miscellaneous operating activities	169
Cash payments to employees for services	(44,669)
Cash payments to suppliers for goods or services	(55,605)
Net cash used in operating activities	<u>(33,520)</u>
Cash flows from non-capital financing activities:	
State grants received	1,598
Federal grants received	28,110
Net cash provided by non-capital financing activities	<u>29,708</u>
Cash flows from investing activities:	
Interest on investments	37
Net cash provided by investing activities	<u>37</u>
Net decrease in cash and cash equivalents	(3,775)
Cash and cash equivalents at beginning of year	<u>16,392</u>
Cash and cash equivalents at end of year	<u>\$ 12,617</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (42,518)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,180
Depreciation	2,343
Increase in inventories	(375)
Increase in accounts receivable	(79)
Increase in accounts payable	965
Increase in salaries and benefits payable	59
Decrease in unearned revenue	(95)
Net cash used in operating activities	<u>\$ (33,520)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 12,617</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$6,180.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 49,843
TOTAL ASSETS	<u>49,843</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 49,843</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Interest income	1,538
Total additions	<u>2,538</u>
Deductions:	
Support services:	
Scholarships awarded	1,700
Other	20
Total Deductions	<u>1,720</u>
Change in net assets	<u>818</u>
Net assets beginning of year	<u>49,025</u>
Net assets end of year	<u>\$ 49,843</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Stanton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Stanton, Iowa, and the predominate agricultural territory in Page and Montgomery Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Stanton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Stanton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery and Page County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Special Revenue - Management Fund is utilized to account for the payment of property insurance.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level

of risk assumed by the District at year end. The District's investments are all category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2008 are as follows:

Type	Fair Value
ING USA Annuity and Life Insurance Company	\$ 11,190

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the district.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Debt Service	\$ 929

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 47,548	0	0	47,548
Less accumulated depreciation	30,701	2,343	0	33,044
Business-type activities capital assets, net	\$ 16,847	(2,343)	0	14,504

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	52,726	0	0	52,726
Capital assets being depreciated:				
Buildings	1,589,382	83,500	0	1,672,882
Land improvements	84,479	1,855	0	86,334
Machinery and equipment	565,424	13,158	21,033	557,549
Total capital assets being depreciated	2,239,285	98,513	21,033	2,316,765
Less accumulated depreciation for:				
Buildings	684,907	35,885	0	720,792
Land improvements	17,289	4,316	0	21,605
Machinery and equipment	431,500	29,656	14,699	446,457
Total accumulated depreciation	1,133,696	69,857	14,699	1,188,854
Total capital assets being depreciated, net	1,105,589	28,656	6,334	1,127,911
Governmental activities capital assets, net	\$ 1,158,315	28,656	6,334	1,180,637

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,858
Other	1,003
Support services:	
Instructional staff	747
Administration	701
Operation and maintenance of plant	156
Transportation	23,191
	<u>29,656</u>
Unallocated depreciation	40,201
Total depreciation expense - governmental activities	<u>\$ 69,857</u>
Business-type activities:	
Food service operations	<u>\$ 2,343</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$86,376, \$79,146, and \$77,794 respectively equal to the required contributions for each year.

(6) Risk Management

The Stanton Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$196,039.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Stanton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$75,545 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,330,218	66,965	1,397,183	1,344,149	1,344,149	53,034
State sources	1,116,575	1,598	1,118,173	1,091,827	1,091,827	26,346
Federal sources	76,880	34,290	111,170	107,245	107,245	3,925
Total revenues	2,523,673	102,853	2,626,526	2,543,221	2,543,221	83,305
Expenditures:						
Instruction	1,638,905	0	1,638,905	1,718,747	1,725,000	86,095
Support services	730,542	0	730,542	861,670	870,000	139,458
Non-instructional programs	1,278	109,446	110,724	115,910	118,000	7,276
Other expenditures	173,917	0	173,917	147,831	193,000	19,083
Total expenditures	2,544,642	109,446	2,654,088	2,844,158	2,906,000	251,912
Deficiency of revenues under expenditures	(20,969)	(6,593)	(27,562)	(300,937)	(362,779)	(335,217)
Other financing sources, net	3,387	0	3,387	0	0	(3,387)
Deficiency of revenues and other financing sources under expenditures	(17,582)	(6,593)	(24,175)	(300,937)	(362,779)	(338,604)
Balance beginning of year	880,122	31,873	911,995	460,744	450,444	461,551
Balance end of year	\$ 862,540	25,280	887,820	159,807	87,665	800,155

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$61,842.

OTHER SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>Special Revenue Funds</u>		<u>Total</u>
	Physical	Other	
	Plant and	Nonmajor	
	Student	Equipment	Governmental
	Activity	Levy	Funds
ASSETS			
Cash and pooled investments	\$ 80,922	19,100	100,022
Receivables:			
Property tax:			
Current year delinquent	0	258	258
Succeeding year	0	16,079	16,079
Accounts	140	0	140
TOTAL ASSETS	\$ 81,062	35,437	116,499
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 48	0	48
Deferred revenue:			
Succeeding year property tax	0	16,079	16,079
Total liabilities	48	16,079	16,127
Fund balances:			
Unreserved:			
Undesignated	81,014	19,358	100,372
Total fund balances	81,014	19,358	100,372
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,062	35,437	116,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Physical				Other
	Plant and	Total			Nonmajor
	Student	Equipment	Special	Debt	Governmental
	Activity	Levy	Revenue	Service	Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	14,823	14,823	0	14,823
Other	131,220	33	131,253	0	131,253
State sources	0	14	14	0	14
TOTAL REVENUES	131,220	14,870	146,090	0	146,090
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	118,933	0	118,933	0	118,933
Support services:					
Other expenditures:					
Facilities acquisitions	0	6,599	6,599	0	6,599
TOTAL EXPENDITURES	118,933	6,599	125,532	0	125,532
EXCESS OF REVENUES OVER					
EXPENDITURES	12,287	8,271	20,558	0	20,558
OTHER FINANCING USES:					
Transfers out	0	0	0	(929)	(929)
EXCESS(DEFICIENCY) OF REVENUES AND OTHER					
FINANCING USES OVER(UNDER) EXPENDITURES	12,287	8,271	20,558	(929)	19,629
FUND BALANCE BEGINNING OF YEAR					
	68,727	11,087	79,814	929	80,743
FUND BALANCE END OF YEAR					
	\$ 81,014	19,358	100,372	0	100,372

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest on Investments	\$ 0	199	199	0
School Play	590	442	388	644
Declam	(263)	30	207	(440)
Musical Events	5,605	6,573	7,075	5,103
Elementary Music	3,015	1,104	795	3,324
Band Repair	0	289	289	0
Athletic Fundraisers	1,989	4,940	3,104	3,825
Cheerleaders	1,557	2,137	931	2,763
Athletics	20,030	44,535	41,484	23,081
Class of 2009	2,496	11,806	9,884	4,418
Class of 2010	683	1,579	347	1,915
Class of 2011	413	420	0	833
Class of 2012	135	230	0	365
Class of 2013	0	95	0	95
Class of 2014	2,878	2,934	5,812	0
Class Gifts	2,352	0	30	2,322
Future Farmers	5,968	14,879	15,072	5,775
FCCLA	1,829	7,025	7,673	1,181
Math Club	253	0	0	253
National Honor Society	588	264	360	492
Pep Club	1,687	3,096	2,767	2,016
Spanish Club	0	4,026	1,269	2,757
Student Council	4,466	2,679	2,128	5,017
Yearbook	10,167	9,656	8,077	11,746
Student Projects	31	614	631	14
Commissary	168	9,082	6,924	2,326
Student Book Fair	729	0	729	0
Elementary Field Trip	0	420	390	30
Co-Curricular	1,179	993	1,030	1,142
FCCLA Fundraiser	182	565	730	17
FCS Student Project	0	608	608	0
Total	\$ 68,727	131,220	118,933	81,014

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	751,980	816,208	812,404	774,478	839,447
Tuition		380,232	372,449	416,239	363,162	288,017
Other		198,006	191,916	180,176	175,811	199,578
State sources		1,116,575	1,052,963	987,922	1,037,699	964,363
Federal sources		76,880	76,494	83,266	102,547	131,029
Total	\$	2,523,673	2,510,030	2,480,007	2,453,697	2,422,434
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	1,056,816	1,012,520	978,668	914,534	892,927
Special instruction		214,238	200,027	191,453	172,608	186,612
Other instruction		367,851	383,075	365,349	372,540	349,119
Support services:						
Student services		67,487	62,527	59,583	57,849	58,727
Instructional staff services		18,386	17,688	9,940	6,294	9,633
Administration services		344,131	353,439	352,493	336,369	291,741
Operation and maintenance of plant services		190,929	182,726	184,976	164,924	173,358
Transportation services		109,609	140,754	114,529	145,957	69,617
Central services		0	0	0	0	9,162
Non-instructional programs		1,278	1,005	875	2,075	2,518
Other expenditures:						
Facilities acquisitions		98,372	33,880	21,018	6,844	49,206
Long-term debt:						
Principal		0	105,000	100,000	95,000	95,000
Interest and other charges		0	4,915	9,165	13,155	16,998
AEA flow-through		75,545	73,735	71,333	72,446	72,998
Total	\$	2,544,642	2,571,291	2,459,382	2,360,595	2,277,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Stanton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stanton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stanton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stanton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Stanton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Stanton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stanton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Stanton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Stanton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Stanton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stanton Community School District and other parties to whom Stanton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stanton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

December 18, 2008

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-08 Activity Admissions - It was noted during our audit that the District doesn't always utilize pre-numbered tickets for all events that require admission. It was also noted that the District had someone break into a cash box and steal money.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At minimum these procedures would include:

- a. Cash or change boxes should be established with a specific amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collections/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will review our procedures and implement additional controls where possible. The District is also considering getting a safe that is bolted to the floor and is now taking receipts to the bank daily.

Conclusion - Response accepted.

I-C-08 Updating of Board Policies - During our audit we noted that some Board Policies had not been reviewed and updated for many years.

Recommendation - Board Policies should be reviewed and updated at least every five years.

Response - Board policies that need updated will be updated.

Conclusion - Response accepted.

I-D-08 Supporting Documentation - We noted during our audit instances of credit card payments which lacked detailed receipts for supporting documentation. We also noted that a check was issued for a trip to Kirkwood lodge which did not have an invoice for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements. All expenses should have detailed supporting documentation as a source of internal control for the District to ensure that expenses are proper in nature.

Response - The District will review its credit card procedures and already requires appropriate documentation for expenses and has talked to the individual cited in the audit to ensure it from happening again.

Conclusion - Response accepted.

I-E-08 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Commission of the State of Iowa requires that public funds may only be spent for the public benefit. Since the Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - The Head Football Coach/Athletic Director purchased pullovers for assistant coaches out of an annual fundraiser completed by coaches and athletes. The District may consider asking the Booster Club in the future. The Head Football Coach/Athletic Director has been informed that this should not happen in the future.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District gave gift cards to individual students from the Student Activity Fund as incentive prizes for good behavior. Gift cards as incentive prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - Gift cards will no longer be purchased for students.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Hicks, Teacher Paint Partnership	Painting	\$5,583

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to represent a conflict of interest.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.